

GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Department of Insurance, Securities and Banking

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Lawrence H. Mirel  
Commissioner

IN THE MATTER OF:

Joseph F. Rinaldi, III

and

Quantum Financial Advisors, Inc.,  
Respondents.

ADMINISTRATIVE ORDER

No. SB-04-03

CONSENT AGREEMENT AND ORDER

WHEREAS, the Department of Insurance, Securities and Banking (the "Department") (formerly the Department of Insurance and Securities Regulation), is investigating the investment advisory activities of Joseph Rinaldi ("Rinaldi") and Quantum Financial Advisors, Inc. ("Quantum") (collectively, Respondents"); and

WHEREAS, on the basis of that ongoing investigation and examination the Commissioner of the Department ("Commissioner"), having the authority to administer and provide for enforcement of the Securities Act of 2000, D.C. Official Code § 31-5601.01 et. seq. (the "Securities Act"), upon due consideration of the subject matter hereof, has determined that grounds exist to conclude that the Respondents have engaged in acts or practices constituting violations of certain provisions of the Securities Act; and

WHEREAS, without holding a hearing, without trial or adjudication of any issue of fact or law, and prior to the initiation of any formal proceeding, the Department and Respondents have reached an interim agreement pending the outcome of the Department's investigation; and

WHEREAS, Respondents agree to voluntarily waive all rights to a hearing upon entry of this Order and, solely for the purposes of this proceeding and without admitting or denying the existence of a violation, Respondent has consented to the entry of this Order;

NOW, THEREFORE the Commissioner has determined as follows:

#### STATEMENT OF FACTS

A. Quantum Financial Advisors, Inc. ("Quantum") is a Delaware corporation that is registered as an investment adviser in the District of Columbia (CRD # 113563). On December 22, 2003, Quantum's place of business on record with the District of Columbia was 1140 Connecticut Avenue NW, Suite 1100, Washington, DC 20036. When the Department's Securities Bureau Examination Division (the "Division") commenced an on-site examination of Quantum, it was discovered that Quantum's required books and records were kept at 10417 Dalebrook Lane, Potomac, Maryland 20854. Quantum has since moved to 1534 16<sup>th</sup> Street NW, Washington DC 20036.

B. Joseph F. Rinaldi, III ("Rinaldi") is the President and Chief Executive Officer of Quantum Financial Advisors, Inc. ("Quantum"). Mr. Rinaldi is not currently licensed as an investment adviser representative in the District of Columbia.

C. On December 22, 2003, the Division conducted an examination of the offices of Joseph F. Rinaldi, III and Quantum Financial Advisors, Inc. pursuant to D.C. Official Code § 31-5602.06(a).

D. Upon examination of Quantum, the Division found evidence of violations of the Securities Act of 2000, effective October 26, 2000 (D.C. Law 13-203), D.C. Official Code § 31-5601.01 *et seq.* (2001 Ed.)), the rules pertaining to Investment Advisers and Investment Adviser Representatives, 48 DCR 4106, 18 DCMR 1850 *et seq.*; and the rules governing Securities Offerings in the District of Columbia, 42 DCR 10879, 19 DCMR 1900 *et seq.*.

## CONSENT AGREEMENT

WHEREAS, Respondents wish to resolve this matter on an interim basis as provided below by entering into a stipulation with the Department of Insurance, Securities and Banking, subject to the approval of the Department's Commissioner, as follows:

A. Respondents, together with their employees, agents, affiliates, assignees, successors, and associated entities, shall immediately **CEASE AND DESIST** from any and all other or further violations of the Act.

B. Respondents shall only act under the supervision of Andrew B. Martin, MS, CFE, CPA ("Martin"), a licensed investment adviser representative in the District of Columbia (IARD# 4484517). Martin shall only act in the capacity of a supervisor, and not as a solicitor. The Respondents shall comply with all supervision instructions as determined by Martin and in accordance with the supervision or supervisory agreement between Respondents and Martin as incorporated by reference, until such time as the Department approves otherwise.

C. Respondents agree that Martin shall report any violation of the Act, or failure by Respondents to comply with Martin's instructions, or any advisory action taken by Respondents without Martin's review, to the Division within 24 hours.

D. Respondents shall cease and desist from violating D.C. Official Code § 31-5602.02(a), and 18 DCMR 1854.1 by employing or associating with an investment adviser representative, including but not limited to a solicitor, who is not licensed or exempt from the Act.

E. Respondents shall not act as an investment adviser in any jurisdiction in which they are not licensed or exempt from licensure.

F. Respondents shall remove all substantive content from the websites [www.qfainc.com](http://www.qfainc.com), [www.e-globalinvest.net](http://www.e-globalinvest.net), [www.e-latinamericaninvest.net](http://www.e-latinamericaninvest.net), [www.e-asiainvest.net](http://www.e-asiainvest.net), [www.e-europeinvest.net](http://www.e-europeinvest.net)

from the internet; and shall provide the Department with two week advance notice if they intend to set up any new websites or re-establish these websites.

G. Respondents shall take the following actions on or before the times set forth below:

1. On June 10, 2004, Respondents retained an Independent Consultant approved by the Division (the "Independent Consultant") to audit their books and records relating to their investment advisory business activities to ensure compliance with the Act.

2. No later than August 6, 2004, the Independent Consultant shall begin its audit. For the period of January 9, 2003 to present, the audit should specifically verify all client billing and the suitability of performance fees to client investments to ensure that they are consistent with written agreements and suitability documents. For the period prior to January 2003, the auditors should verify a sample of the client billing and suitability of client investments. Regardless of the time period, performance figures and claims offered on the internet, including performance for the years for 1996, 1997, 1998 and 1999 should be verified, and all performance fees charged to clients should be verified. Respondents shall immediately begin compiling all of the supporting documents for client billing, securities recommendations, performance figures, performance fees, and other documents the auditors will require.

3. No later than August 20, 2004, the Independent Consultant by conference call with the Division shall inform the Division of any preliminary results from the audit. No later than September 20, 2004, the Independent Consultant shall provide the Division with a written interim report of all the deficiencies found during the audit.

4. No later than October 20, 2004, the Independent Consultant shall provide the Division with a final written report identifying all the actions taken by Quantum to correct deficiencies noted in the Independent Consultant's report.

5. Respondents shall formally respond to the Division's Examination Report

(Attachment A) by July 1, 2004 and will take steps to remedy, to the Division's satisfaction, each of the deficiencies noted in the Examination Report.

6. Respondents shall report to the Division any written customer complaint within one week of receipt of the complaint for a period of two (2) years from the date of this Order.

7. Respondents shall notify the Division at least thirty (30) days prior of their move to another location in or outside of the District of Columbia; and of their intentions to register as an investment adviser and investment adviser representative with any other jurisdiction.

8. Respondents shall provide, simultaneously with the signing of this Consent Agreement and Interim Order, the entire client list of Quantum, including the names, address and telephone number of every client who holds options, puts, other short term investments or other investments that require immediate attention.

#### **ORDER**

WHEREAS, Respondents have agreed to implement any plans for correction recommended by the Independent Consultant to address any deficiencies, as soon as those recommendations are provided;

WHEREAS, for the purposes of this Consent Agreement and Order, the exceptions and violations alleged here are being deemed to be not willful and, based on representations made by the Respondents, the Department is satisfied that the corrective action is now being taken;

#### **ACCORDINGLY, IT IS HEREBY ORDERED:**

1. That each Respondent shall take corrective actions as set forth in this Consent Agreement and Order to preclude any future non-compliance with the Act.
2. That if either Respondent fails to comply with any term in this Consent Agreement and Order, the Department may institute administrative or judicial proceedings against that Respondent to

enforce this Order or to sanction Respondent for violating an Order of the Commissioner, and may take any other action authorized under the Securities Act or any applicable law, including the issuance of fines or penalties as provided by the Act. For the purpose of determining those sanctions, the Findings of Fact and violations set forth in this Consent Agreement and Interim Order shall be deemed admitted, and may be introduced into evidence against that Respondent.

3. That this Consent Agreement and Order addresses only the future conduct of the Respondents and does not preclude the Department from taking action to determine appropriate sanctions for the violations alleged herein.
4. The terms of this Consent Agreement and Interim Order may not be modified, except by a subsequent Order issued by the Commissioner.
5. This Consent Agreement and Interim Order shall remain in effect until the Commissioner determines that Respondents have fully complied with the conditions set forth herein.
6. The Commissioner finds this Order necessary and appropriate and in the public interest for the protection of investors and consistent with the purposes fairly intended by the policy and provisions of the Act.

Agreed and Consented to:

DEPARTMENT OF INSURANCE, SECURITIES AND BANKING

BY:

Theodore A. Miles

Theodore A. Miles,  
Director

RESPONDENT

BY:

Joseph F. Rinaldi, III

Joseph F. Rinaldi, III, individually and as President and CEO of  
Quantum Financial Advisers, Inc.

SO ORDERED:

Dated this 22<sup>d</sup> day of June, 2004.

APPROVED and so ORDERED:

In Witness Whereof, I have hereunto  
set my hand and affixed the official seal. Of this  
Department in the District of Columbia, this 22 day of  
June, 2004.

Lawrence H. Mirel

Lawrence H. Mirel,  
Commissioner